

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 /020 W
-----202042Z 108188 /66

P R 201535Z MAY 77
FM AMEMBASSY MOSCOW
TO USDOC WASHDC PRIORITY
INFO SECSTATE WASHDC 7668
AMCONSUL LENINGRAD
AMEMBASSY VIENNA

UNCLAS SECTION 1 OF 2 MOSCOW 7094

FOR BEWT/OEWTD (MURRIN)

VIENNA FOR VONTILLIUS

E.O. 11652: NA
TAGS: BEXP, UR
SUBJECT: EXHIBITS IN SPRING 1978

SUMMARY: EMBASSY HAS GATHERED AND ANALYZED INFORMATION PERTAINING TO POTENTIAL EXHIBITS TO BE HELD IN SPRING, 1978. FOUR WERE LOOKED AT AS BEING VIABLE POSSIBILITIES: KIEV SOLO EXHIBIT ON FOOD PROCESSING AND PACKAGING, LENINGRAD INTERNATIONAL SPECIALIZED EXHIBIT ON PULP AND PAPER, TASHKENT SOLO ON COTTON PROCESSING, AND MOSCOW SECOND INTERNATIONAL EXHIBIT ON EQUIPMENT FOR FOOD INDUSTRY, TRADE AND PUBLIC CATERING. OTHERS WERE DISMISSED BECAUSE OF POOR THEME, LOCATION OF TIMING, OR A COMBINATION. VARIOUS FACTORS WERE CONSIDERED IN THIS ANALYSIS: APPLICABILITY OF THEME BASED ON OUR READING OF SOVIET PLAN PRIORITIES, COMMERCIAL PROSPECTS FOR U.S. COMPANIES, EASE OF RECRUITMENT AND RECRUITING UNIVERSE, TIMING OF VARIOUS EVENTS AND THEIR SITES, SOVIET REACTION AND INTEREST. END SUMMARY.

1. KIEV SOLO EXHIBIT (JUNE, 1978):
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IN MEETING COMOFF HAD IN KIEV WITH UKRAINIAN MINISTRY OF FOOD PROCESSING AND MINISTRY OF MEAT AND DAIRY ON APRIL 26-27, OFFICIALS WERE RELUCTANT TO GIVE REACTION ONE WAY OR OTHER RE PROPOSED FOOD PROCESSING SOLO. THEY STATED THAT TECHNICAL LITERATURE FROM ALL POSSIBLE PARTICIPANTS WOULD HAVE TO BE STUDIED BEFORE AN INDICATION OF INTEREST WOULD BE

FORTHCOMING.

(A) ARGUMENTS PRO:

(1) LARGE SEGMENT OF SOVIET FOOD INDUSTRY LOCATED IN UKRAINE APPEARS TO BE AN ATTRACTIVE TARGET FOR U.S. EXPORTERS.

(2) ON SCENE ASSISTANCE FROM KIEV ADVANCE PARTY (KAP) AVAILABLE.

(3) EMBASSY FAMILIARITY WITH KIEV, A LARGE CITY WITH MODERN AMENITIES BY SOVIET STANDARDS.

(B) ARGUMENTS CON:

(1) LIMITED TIME - BELIEVE THERE IS NO WAY WE CAN GET REACTION FROM UKRAINIAN MINISTRIES PRIOR TO JUNE 30 OF THIS YEAR, AT EARLIEST, THUS ALLOWING LESS THAN 12 MONTHS FOR RECRUITMENT AND PRE-SHOW PROMOTION. THIS IS QUITE SHORT PARTICULARLY IN VIEW OF FACT THAT KIEV SHOW WOULD BE OUR FIRST EXHIBIT WITH EQUIPMENT OUTSIDE OF MOSCOW.

(2) LACK OF ADEQUATE EXHIBITION SITES - THERE ARE ONLY TWO POTENTIAL LOCATIONS FOR THE SHOW IN KIEV: CHAMBER OF COMMERCE PREMISES AND A COMPRESSED "AIR-FILLED BALLON" BUILDING AT VDNKH. THE CHAMBER HAS ONLY 1,100 SQ. METER OF TOTAL COVERED SPACE, AND 150 SQ. METERS OF THIS TOTAL IS A NO-LOAD BEARING AREA ON A MEZZANINE. THERE IS, HOWEVER, OPEN SPACE IN AN ADJACENT PARKING LOT. THE BALLOON AT VDNKH HAS 3,000 SQ. METERS OF FLOOR SPACE AND WOULD HAVE TO BE TAKEN IN ITS ENTIRETY. MORE IMPORTANTLY IT IS OVER-AGED, IN TATTERED CONDITION, AND THERE IS A REAL QUESTION AS TO WHETHER IT WILL BE SERVICEABLE

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NEXT YEAR. HEAT INSIDE (LIMITED VENTILATION) WOULD BE BRUTAL IN JUNE. WHILE USIA WAS ABLE TO MAKE USE OF ANOTHER MORE ATTRACTIVE SITE AT VDNKH IN 1976 FOR "PHOTOGRAPHY USA" EXHIBIT, PERMANENT EXHIBIT IS NOW HOUSED IN THIS LATTER EXHIBITION SPACE AND IT IS NOT AVAILABLE. (SITE SURVEY AND PHOTOS BEING POUCHED.)

(3) CONFLICT WITH OTHER CHAMBER OF COMMERCE EXHIBITS - KIEV SOLO WOULD BE SANDWICHED BETWEEN THE JUNE, 1978, INTERNATIONAL EXHIBIT FOR FOOD SERVICES AT SOKOL'NIKI AND OCTOBER SPECIALIZED EXHIBIT FOR FOOD MEASURING AND PACKAGING EXHIBIT AT KISHENEV. ALTHOUGH THE PROPOSED U.S. SOLO WOULD OFFER EQUIPMENT NOT SPECIFICALLY INCLUDED IN NOMENCLATURE OF EITHER EVENT, BASED ON OUR PAST EXPERIENCE, OVERLAP WOULD BE INEVITABLE.

(4) POSSIBILITY FOR OFF-THE-FLOOR SALES - MOST IMPORTANTLY, COINCIDENCE OF OUR SOLO WITH TWO CHAMBER EVENTS WOULD, IN USCO'S OPINION, SHARPLY REDUCE POSSIBILITY OF SOVIET BUDGETARY ALLOCATIONS FOR OFF-THE-FLOOR PURCHASES IN KIEV. WITHOUT SUCH A SUPPLEMENTARY ALLOCATION THERE

WOULD BE LITTLE OR NOT OFF-THE-FLOOR SALES AT EVENT UNLESS PARTICIPANTS ALREADY ACTIVE IN USSR CAN MANAGE TO PRE-SELL EQUIPMENT, WHICH SHOULD NOT BE A MAJOR CONSIDERATION FOR US. IN ADDITION TO CONFLICT WITH OTHER EXHIBITS, RATHER SHORT LEAD TIME WILL MAKE IT DIFFICULT FOR PARTICIPANTS TO "PRE-SELL" EQUIPMENT. FURTHERMORE, SOVIETS HAVE SHOWN INCREASING DISINCLINATION OF LATE TO MAKE OFF-THE-FLOOR PURCHASES AT THEIR OWN SPECIALIZED EXHIBITS AS SHOWN BY DISAPPOINTING RESULTS OF SOME RECENT SPRING EVENTS. WHILE WE CAN EXPECT THAT SOME FUNDS WILL CONTINUE TO BE ALLOCATED FOR CHAMBER OF COMMERCE EVENTS IN ORDER TO ATTRACT HARD-CURRENCY-PAYING EXHIBITORS, IT WOULD BE CLEARLY MORE DIFFICULT FOR END-USERS TO OBTAIN FUNDS FOR A U.S. FOOD PROCESSING SOLO, PARTICULARLY SINCE U.S. IS ONLY ONE OF A NUMBER OF POTENTIAL WESTERN SUPPLIERS IN THIS INDUSTRY AREA. WE SHOULD ALSO POINT OUT THAT WHILE CHAMBER OF COMMERCE, STATE COMMITTEE FOR SCIENCE

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AND TECHNOLOGY AND MINISTRY OF FOOD INDUSTRY IN MOSCOW HAVE NOT RPT NOT RECOMMENDED AGAINST OUR HAVING THIS EVENT, NEITHER HAVE THEY SHOWN MUCH ENTHUSIASM FOR IT. MINISTRY OF FOOD INDUSTRY HAS REPEATEDLY PUT OFF OUR REQUESTS FOR MEETING TO DISCUSS PLANS FOR SOLO ON GROUNDS THAT IT NEEDED MORE TIME TO STUDY OUR PROPOSAL.

(5) PRELIMINARY LUKEWARM U.S. INDUSTRY ATTITUDE - WHILE INFORMAL COMMERCE SURVEY NOTE THAT 15 OF 20 U.S. FIRMS QUESTIONED WERE INTERESTED IN PARTICIPATION, WE NOTE THAT MANY RESPONDENTS CATEGORIZED AS POSITIVE APPEARED TO BE LESS THAN WHOLEHEARTEDLY ENTHUSIASTIC. SEE, IN THIS REGARD, BEEHIVE INDUSTRY'S "YES, WITH MISGIVINGS," AND URSCHALL'S "INTERESTED, BUT SKEPTICAL." THUS, RECRUITMENT MIGHT WELL POSE A PROBLEM ESPECIALLY DUE TO NECESSITY OF NOT PLAYING UP POSSIBILITIES FOR OFF-THE-FLOOR SALES DURING RECRUITMENT PHASE.

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 /020 W

-----202044Z 109288 /66

P R 201535Z MAY 77
FM AMEMBASSY MOSCOW
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AMCONSUL LENINGRAD
AMEMBASSY VIENNA

UNCLAS SECTION 2 OF 2 MOSCOW 7094

FOR BEWT/OEWTD (MURRIN)

VIENNA FOR VONTILLIUS

2. LENINGRAD PULP AND PAPER (BUMMASH '78), (JUNE 13-22, 1978):

PRODUCT CATEGORIES FOR THIS EVENT ARE: (1) WOOD HANDLING EQUIPMENT, (2) CHEMICALS HANDLING, (3) MECHANICAL PULPING, (4) PRODUCTION OF CHEMICAL AND SEMI-CHEMICAL PULPS, (5) EVAPORATORS FOR SULPHITE AND SULPHATE SPENT LIQUORS, (6) PAPER AND PAERBOARD MANUFACTURING, (7) CONVERTING EQUIPMENT FOR PAPER, PAPERBOARD AND NON-WOVENS, (8) PACKAGING OF PAPER, PAPERBOARD AND NON-WOVENS, (9) ENVIRONMENTAL PROTECTION, (10) PUMPS, FITTINGS, CORROSION-RESISTANT MATERIALS, (11) MECHANIZATION OF MATERIAL FLOWS IN PULP AND PAPER MILLS, (12) INSTRUMENTATION AND AUTOMATION DEVICES, (13) AUTOMATIC CONTROL SYSTEMS. (LIST OF SUBCATEGORIES POUCHED.) BUMMASH WILL BE HELD IN MODERN EXHIBIT GROUND AT LENINGRAD PASSENGER PORT WHERE CONDITIONS QUITE COMPARABLE TO THOSE AT MOSCOW'S SOKOL'NIKI PARK. RESULTS OF DETAILED SITE SURVEY BY AMCONSUL LENINGRAD POUCHED.

(A) ARGUMENTS PRO:

(1) BUMMASH THEME - SHOW TARGETS ON ONE SOVIET INDUSTRIAL SECTOR WHICH MAKES MARKETING AND CONTACTS MUCH EASIER.
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(2) LOCATION - ASIDE FROM MOSCOW, LENINGRAD IS EASIEST LOCATION TO STAGE SHOW IN USSR BECAUSE OF MODERN EXHIBITION GROUNDS, GOOD TRANSPORT CONNECTIONS AND SUPPORT FROM AMCONSUL LENINGRAD.

(3) SUPPORT - USCO ENJOYED GOOD SUPPORT FROM MINISTRY OF PULP AND PAPER INDUSTRY FOR S/ME IN 1975 (SEE 75 MOSCOW 9041).

(4) RECRUITMENT - U.S. COMPANIES HIGHLY COMPETITIVE IN CATEGORIES (9), (12) AND (13) ABOVE AND RECRUITMENT IN THESE PRODUCTS AREAS WOULD BE RELATIVELY EASY.

(5) FIVE YEAR PLANS - RELATIVELY HIGH PLAN PRIORITY.

(B) ARGUMENTS CON:

(1) OVERALL POSSIBILITIES - FINNISH PRODUCERS OF SUCH

EQUIPMENT ENJOY A STRONG POSITION DUE TO GEOGRAPHICAL PROPINQUITY AND CLEARING ARRANGEMENTS BETWEEN FINLAND AND USSR. WE WERE INFORMALLY TOLD THAT FINNISH CONNECTION MAKE SIGNIFICANT U.S. COMMERCIAL RESULTS VERY PROBLEMATICAL IN SHORT-TERM (ALTHOUGH AT LEAST ONE U.S. COMPANY, NICHOLSON, HAS SOLD SOME DEBARKING EQUIPMENT).

(2) OFF-THE-FLOOR SALES - WITH MUCH OF THE EQUIPMENT IN SHOW BEING LARGE AND PROJECT ORIENTED, OFF-THE-FLOOR SALES ARE NOT TO BE EXPECTED IN MOST CATEGORIES.

(3) RECRUITMENT (OTHER THAN IN (4) ABOVE) - SMALL UNIVERSE FOR MANUFACTURERS OF HEAVY PLANT AND EQUIPMENT FOR PULP/PAPER.

3. COTTON PROCESSING SOLO EXHIBIT IN TASHKENT (FALL, 1978 OR 1979):

DURING CATALOGUE EXHIBIT IN TASHKENT, DEPDIR, USCO, WAS APPROACHED BY LOCAL REPRESENTATIVES OF SOVIET CHAMBER OF COMMERCE ASKING THAT USDOC CONSIDER STAGING A SOLO EXHIBIT IN TASHKENT ON EQUIPMENT FOR COTTON INDUSTRY. IN SUBSEQUENT DISCUSSIONS WITH UZBEK MINISTER OF COTTON PROCESSING, V.U. USMANOV, IT WAS LEARNED THAT AN EXHIBIT ON SAME THEME TO BE HELD IN OCTOBER, 1976, HAD BEEN CANCELLED FOR VARIOUS REASONS. THE MINISTER WENT ON TO SAY THAT HE WOULD PROVIDE US WITH LIST OF U.S. COMPANIES MINISTRY WOULD LIKE TO SEE PARTICIPATE (A LIST WE HAVE SUBSEQUENTLY UNCLASSIFIED

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RECEIVED) AND A LIST OF PRODUCTS (WHICH WE HAVE NOT YET RECEIVED). IN ADDITION, HE SAID THAT MONEY WAS AVAILABLE FOR PURCHASES OF COTTON PROCESSING EQUIPMENT AND THAT HE WOULD MAKE SUCH FUNDS AVAILABLE AGAIN FOR PURCHASES AT PROPOSED EXHIBIT, SHOULD WE AGREE TO STAGE IT.

(A) ARGUMENTS PRO:

(1) RELATIVELY INDEPENDENT INDUSTRIAL MINISTRY WITH HARD CURRENCY OF ITS OWN TO SPEND BECAUSE OF KEY IMPORTANCE OF COTTON INDUSTRY TO UZBEK, SSR.

(2) USCO NOW HAS CLOSE KNOWLEDGE OF TASHKENT, LOCAL CHAMBER, EXHIBIT FACILITIES, LOGISTICS, ACCOMMODATIONS AND OTHER SUCH OPERATIONAL MATTERS WHICH WOULD AID IN EASE OF EXHIBITING THERE.

(3) APPROACH CAME FROM MINISTER HIMSELF FOR US TO CONSIDER STAGING EXHIBIT.

(4) MINISTER SAID THAT HIS MINISTRY WOULD PICK UP MOSCOW - TASHKENT OR ODESSA - TASHKENT FREIGHT COSTS (MINOR IN RELATION TO TOTAL COSTS).

(5) MINISTER WOULD INVITE SPECIALISTS FROM ALL AREAS OF USSR, NOT ONLY FROM UZBEKISTAN.

(B) ARGUMENTS CON:

(1) SMALL RECRUITING UNIVERSE IN U.S.

(2) EXTREMELY LARGE AND HEAVY EQUIPMENT INVOLVED.

(3) TIMING (MINISTER DESIRES OCTOBER, 1978 OR 1979 TIME-FRAME, AND LONG DISTANCES INVOLVED.

(4) NO REAL GUARANTEE OF PURCHASES, DESPITE MINISTER'S ORAL ASSURANCES.

(5) INTEREST LIMITED TO VERY SPECIFIC PRODUCTS.

4. INTERNATIONAL EXHIBIT ON FOOD INDUSTRY, TRADE AND PUBLIC CATERING, MOSCOW (JULY 4-17, 1978):

(A) ARGUMENTS PRO:

(1) MOSCOW EXHIBIT SITE, THUS EASIER FOR USCO TO SUPPORT.

(2) EASE OF RECRUITMENT (LARGE UNIVERSE).

(3) POSSIBILITY TO CONCENTRATE EXHIBIT IN NARROW THEME AREA.

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(4) GOOD MINISTRY TO WORK WITH.

(B) ARGUMENTS CON:

(1) SUMMER DATES.

(2) OVERALL CONGLOMERATION OF PRODUCTS, MUCH LIKE INTERBYTMASH. DIFFICULT TO DELINEATE THEME.

(3) RETAIL TRADE HAS LOW PRIORITY FOR FOREIGN EXCHANGE.

5. RECOMMENDATIONS:

(A) FROM WHERE WE SIT, FOOD PROCESSING EQUIPMENT SOLO IN KIEV (JUNE, 1978) DOES NOT LOOK LIKE A GOOD BET AT THIS POINT. OUR INITIAL IMPRESSIONS ARE THAT THERE IS A GENERAL DESIRE FOR MORE CONTACT WITH U.S. INDUSTRY IN FOOD PROCESSING AREA IN UKRAINE, BUT WE BELIEVE THAT IN VIEW OF ABOVE MENTIONED OBSTACLES THAT THIS MIGHT BE BEST RESPONDED TO WITH AN S/ME (OR TSS) IN KIEV ON FOOD PROCESSING IN FY 1979. (CHAMBER OF COMMERCE IN KIEV DOES HAVE ADEQUATE FACILITIES FOR A FUTURE S/ME.)

(B) THAT A SOLO EXHIBIT OF COTTON PROCESSING EQUIPMENT NOT BE STAGED AT THIS TIME; ALTERNATIVE WOULD BE AN S/ME AT USCO WITH POSSIBLE SIDE TRIP TO TASHKENT AS TSS DURING FY'79 ON SAME THEME.

(C) THAT BUMMASH '78 SHOULD BE GIVEN THE HIGHEST CONSIDERATION IF RECRUITMENT CENTERS ON THEME CATEGORIES (9), (12) AND (13) ABOVE. TOGETHER WITH ADVANTAGES LISTED ABOVE, LENINGRAD WILL GIVE US GOOD EXPERIENCE FOR EXHIBITS OUTSIDE MOSCOW WITH A VIEW TOWARDS STAGING A SOLO PERHAPS IN FY 79. DESPITE FINNISH PRE-EMINENCE IN SOVIET MARKET FOR PULP AND PAPER MACHINERY, MUCH U.S. EQUIPMENT AND TECHNOLOGY IS EQUALLY GOOD OR SUPERIOR AND FIRMS WILL BENEFIT IN LONGER RUN.

(D) THAT EXHIBIT FOR FOOD INDUSTRY, TRADE AND PUBLIC CATERING BE GIVEN SECOND CONSIDERATION, IF RECRUITMENT LIMITED TO MATERIALS HANDLING, WAREHOUSING AND FOOD PACKAGING EQUIPMENT. REMAINDER OF EQUIPMENT CATEGORIES LISTED IS TOO BROAD FOR A GOOD SHOW.

6. PLS ADVISE IF ADDITIONAL INFORMATION IS NEEDED IN ORDER TO UNCLASSIFIED

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COME TO FINAL DECISION BASED ON ABOVE INFORMATION AND
RECOMMENDATIONS. MATLOCK

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Message Attributes

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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
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Disposition Reason:
Disposition Remarks:
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770180-0842
Format: TEL
From: MOSCOW
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770536/aaaabeof.tel
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Litigation Code IDs:
Litigation Codes:
Litigation History:
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Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
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Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2437419
Secure: OPEN
Status: NATIVE
Subject: EXHIBITS IN SPRING 1978 SUMMARY: EMBASSY HAS GATHERED AND ANALYZED INFORMATION PERTAINING TO POTENTIAL EXHIBITS TO BE HELD IN SPR
TAGS: BEXP, UR
To: COM
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/7f21408f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009